

Executive Office of Health and Human Services

Purchase of Service Integrity Unit

SALARY RESERVE DISTRIBUTION POLICIES AND PROCEDURES

Salary Reserve Distribution Policies and Procedures last Revised August 2007

www.mass.gov/salaryreserve

Introduction

The purpose of this document is to outline the main components of the distribution of the Salary Reserve Fund allocation and the procedures that help ensure the integrity of the process.

The Salary Reserve funds, if and when appropriated by the State Legislature, are targeted specifically to increase the compensation of eligible personnel working at human service provider organizations on eligible purchase of service contracts as awarded by the Executive Office of Health and Human Service Agencies.

The data collection, analysis and review for the Salary Reserve allocation process had previously been carried out by the Operational Services Division (OSD). Since FY 2006, the Executive Office of Health and Human Services (EOHHS) was charged with the full responsibility of managing the process and distributing the Salary Reserve allocation according to the line item State Budget language proposed and approved by the State Legislature.

Policy

As required by statute, EOHHS will manage the Salary Reserve allocation and distribution process in a reasonably efficient and effective way; and, to disburse the funds out to the providers in a timely manner.

Eligibility Criteria

Eligibility criteria are set forth each year in statute. EOHHS makes all distributions in accordance with these criteria. FY07 criteria are as follows:

Eligible organizations: private human service providers that deliver human and social services under contract with departments within the executive office of health and human services (EOHHS), the executive office of elder affairs (ELD), as well as certain eligible contracts with the Department of Early Education and Care (EEC); that are willing and able to assure EOHHS that the funds shall be used solely for the purposes of adjustments to wages, compensation or salary of eligible employees.

No funds shall be allocated from the Salary Reserve item to contracts funded exclusively by federal grants.

No funds from the Salary Reserve item shall be allocated to special education programs under chapter 71B of the General Laws, and to contracts for early education and care services or programs for which payment rates are negotiated and paid as class rates as established by the division of health care finance and policy.

Eligible employees: personnel earning less than \$40,000 in annual compensation (or as established by the Legislation) and employed by eligible organization, whose salary, wages or compensation is attributed to the purchase of service contracts, as listed above.

Home care workers shall be eligible for funding from this appropriation.

Approach and Procedures

EOHHS implements Salary Reserve in a way that is consistent with the language provided in any given fiscal year General Appropriations Act. While the language dictates eligibility and allocation requirements, it does not dictate the methodology through which a business is to administratively disburse the funds. Awardees of Salary Reserve funds have applied for these funds based on eligibility criteria, FTE counts and salary levels. Salary Reserve funds are to be disbursed to eligible employees in an equitable manner in accordance with the spirit of the statute. The language states

“.....that the executive office of health and human services shall condition the expenditure of the reserve upon assurances that the funds shall be used solely for the purposes of adjustments to wages, compensation or salary....”

Provider organizations, as a matter of business management and practice, have various options available to them for assembling and adjusting employee compensation. Neither the statute, nor its implementation by EOHHS, dictates the method by which provider organizations are to provide Salary Reserve compensation enhancements.

Over the last years when a Salary Reserve Fund is approved and implemented, EOHHS uses the following approach and procedures for managing the Reserve and provide direction and consistency throughout the administration and distribution process:

1. Data Collection System:

Whenever possible, Reserve allocations are based on current contract data from eligible providers. To accomplish this, in FY07 EOHHS used an improved user-friendly data collection system for FY07 Salary Reserve data collection and calculations. This process requires that the following steps and procedures take place in a timely manner every year that a Salary Reserve fund is approved:

- a) Activation and implementation of a web-based module on the existing Virtual Gateway Provider Data Management (PDM) system, which collects provider contract and payroll information for Salary Reserve. Specific directions to use the PDM internet business service are available at www.mass.gov/salaryreserve
- b) Activation of Purchase of Service (POS) providers within the Provider Data Management (PDM) system. That is, full activation of PDM users currently enrolled on PDM, and activation of new users. Notices with specific instructions to each group are sent out to the POS providers.

- c) Data submissions should be based upon contracts in their current state. This would include amendments that have been approved at the time of data submission.

2. Integrity of the Data:

Through a five-step process EOHHS intends to reduce the number and magnitude of inaccuracies at the “front-end” of the process, as follows:

- a) initial contract, total number of contract-months (full-year: 12 months, partial year contracts: enter number of months); and full time equivalency (FTE) payroll data, are reviewed and entered by the provider organizations;
- b) EOHHS agencies review the contract information entered by providers and make changes, edits, adds or deletes contract information and amounts;
- c) EOHHS agencies and providers confer, as needed, regarding significant changes and agencies submit the revised data on PDM;
- d) A data-based checklist for all reviewed contracts is completed by the Salary Reserve liaison at each EOHHS agency, and it is filed in the Salary Reserve data-base system;
- e) In the event that there are still unresolved or pending issues, the provider may resort to the Salary Reserve appeals process; see information below on the appeals process;

3. Calculations and Allocation Methodology:

EOHHS executes all calculations and ensures that there are quality control steps along the process. The salary reserve project manager works closely with the EOHHS accounting office in order to validate the integrity of the financial calculations.

A percentage is calculated by EOHHS for a salary increase based on the total salary reserve allocation for the fiscal year, and according to salary guidelines set forth in statute. Based on the calculated percentages and the contract data, the allocation for each provider, and each contract per provider, is obtained. Each allocation is traceable back to the data and the entire submission is reviewed to ensure the integrity of the process.

The Salary Reserve Statute does not determine the actual percentage of the salary increase. Providers should use the percentage calculated by EOHHS as a guide. In some cases providers may need to depart from the exact percentage due to expansion or significant shift in personnel after the basic data has been submitted (i.e. changes in the number of eligible staff, employees who moved from one category to another, temporary vacancies, new employees or a reduction in employees in a given category).

Provider organizations may use up to 15% of their total allocation to cover the employer's portion of payroll and fringe benefit obligations directly associated with the Salary Reserve increase in salaries.

Providers may determine the percentage of compensation increase as long as they distribute the entire amount allocated to their organization strictly abiding by the Salary Reserve Statute and its determination of staff eligibility. In keeping with the intent of the statute to raise the salaries of personnel, providers must treat eligible employees in an equitable manner. To maintain the integrity of the Salary Reserve, providers may not allocate the funds based on merit, seniority or other internal organization policies. In all cases, the percentage of the salary increase must be uniformly allocated within the provider organization based on the total amount of salary reserve funds allocated to the organization by EOHHS' Salary Reserve Contract for FY 2007 and must be in keeping with the intent of the Salary Reserve Appropriation.

If a provider has concerns regarding their allocation, please contact the purchasing agency or the EOHHS salary reserve contact to discuss.

The calculations for direct care workers and homemakers are arrived to using a different methodology, working with the Executive Office of Elder Affairs, to determine the number of units of service (usually billable hours of service provided by the direct care workers), and the hourly rate increase.

4. Policy for POS Contracts that Begin or Terminate Mid-Year:

In years for which the Legislature appropriates funds to a salary reserve, reserve allocations are made based on July 1 payroll data for all current, eligible contracts. In accordance with the regular procedures followed for payment of funds under the salary reserve, and because allocations are made based on snap-shot of payroll data for contracts active in the beginning of the fiscal year, the following applies:

- a) Contracts that terminate during the course of a fiscal year are only eligible for a salary reserve allocation that covers the duration of the contract. This is because state finance law prohibits the allocation of funds for contracts after their termination date.
- b) Contracts that are begun or newly-procured during the middle of a fiscal year are not eligible for salary reserve allocation in that year. This is because a) purchasing agencies are expected to execute new procurements in a manner that accommodates labor and other market cost increases subject to appropriation, and b) there is no cost basis for determining an accurate salary reserve allocation.

5. Movement of Funds and encumbrances:

The project process plan details the steps dedicated to the movement of funds and the preparation of the financial reports as required by the Fiscal Affairs Division; as well as the encumbrances, and the transactions process with the Comptrollers' Office.

EOHHS will work with these departments to ensure the integrity of the process and of the individual allocations.

6. Contracts:

- a) Legal review: Salary Reserve contracts, associated terms, cover letters and other pertinent references specific to the current year will be updated and reviewed with EOHHS legal department.
- b) EOHHS agencies will have the details on their providers' allocations and contracts.
- c) Contracts are sent by EOHHS' integrity unit to providers by electronic mail, a printed copy of the contract is signed by the provider, and the original signature is sent to the Salary Reserve Manager to be processed by EOHHS.
- d) These activities are carried out according to a pre-determined timeline, available to the public on the Salary Reserve web-page www.mass.gov/salaryreserve

7. Operations timeline:

Whenever possible, EOHHS' manages the Salary Reserve timeline in order for payments to be made to providers by the second week in December. In order to ensure the success of this outcome, it is essential that all involved follow a strict timeline with clear cut deadlines throughout the process.

A timeline table for each year's Salary Reserve process will be available on the Web-page www.mass.gov/salaryreserve

8. Appeal Process:

a) Reasons for appeals:

An appeal process is available to providers that believe they did not receive the Salary Reserve funds they were entitled to due to miscalculations on eligible contracts, or whose contracts were mistakenly excluded from the Salary Reserve distribution, or the amounts received do not match their own calculations.

b) Timeline for appeals:

The appeals process usually opens up after the second week in December and may last until the first week in February. The process involves data collection for appeals; data review and allocation determined; amendments sent out; amendments processed. Providers are encouraged to submit their appeals as soon as possible to expedite the process.

c) Procedures for appeals:

Providers wishing to appeal their Salary Reserve allocation need to do so by submitting the Appeals Form available in the Salary Reserve web page www.mass.gov/salaryreserve. The appeals form may be submitted electronically to the e-address posted on the web page, or it may be completed, printed and mailed to: Salary Reserve Manager, One Ashburton Place, Room 1109 Boston, MA 02108. EOHHS will collect and review the appeals data and will determine the allocation due to providers. Amendments will be prepared, sent out to providers for signatures by the date stipulated in the timeline and processed for payment.

9. Report to the Legislature

As required by statute, a report on the allocation of Salary Reserve funds will be delivered to Legislature by the specified date. Report information will be posted on the Salary Reserve web page www.mass.gov/salaryreserve

10. Communications Plan

Communication with other EOHHS departments and agencies and with provider organizations is an integral component of the project and a priority for EOHHS.

Communications are on-going throughout the entire Salary Reserve process and usually include:

- a) Written communication to EOHHS Agency CFO's and Principal Purchasing Agency Contract Managers
- b) Communication to all POS providers and to the Providers Advisory Council about the Salary Reserve Data Collection system
- c) Updated and posted information on the EOHHS Salary Reserve web page www.mass.gov/salaryreserve for provider organizations and other interested parties
- d) On-going communication with EOHHS units and agencies throughout the entire process, via meetings, emails, internet and telephone
- e) Activation of telephone-line triage to be operational throughout the entire process: In order to maintain a professionally responsive telephone communication system, the telephone line for Salary Reserve will be centrally held for the duration of the process.

11. Feedback and Evaluation

A Feedback and Evaluation Form will be available on the Salary Reserve web page for suggestions on how to further improve the process. *Additional information is available throughout the year at www.mass.gov/salaryreserve*